

25X1

Approved For Release 2005/06/06 : CIA-RDP72-00337R000400010025-7

Approved For Release 2005/06/06 : CIA-RDP72-00337R000400010025-7

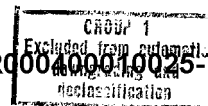
SECRET

MEMORANDUM FOR: Legislative Counsel

SUBJECT : CIA Retirement Act Legislation

1. There is attached a proposed draft of a response to the Bureau of the Budget letter from Mr. Rommel dated 23 October 1969 concerning Agency recommendations for financing the CIA Retirement System. Also attached are summary schedules I, II and III of the actuarial study as of 31 December 1968 which has been completed and approved by the Treasury actuary but is not yet in a formal report format nor are detail supporting schedules yet available.
2. We assume the recommendation for amendment of the CIA Retirement and Disability Act with respect to financing procedures relating to present unfunded liability and to such increases in unfunded liability as may result from future legislation should be noncontroversial in view of the fact that recent amendments of the Foreign Service Retirement System included comparable provisions.
3. We are also recommending amendment of the CIA Retirement and Disability Act to provide that transfers from other retirement systems include matching employer contributions. We estimate that receipt of these contributions, for past and future transfers from other retirement systems would extend our Fund's solvency well beyond FY 2033, the year in which the Fund is estimated to be depleted if appropriations are not provided to cover the normal cost deficiency (Column 15, Schedule III). This estimate assumes of course enactment also of the amendment referred to above.
4. We have also given consideration to recommending that the deficiency be fully funded through the Agency's annual appropriation, beginning in FY 1971. As indicated under Column 8, Schedule III, an appropriation of [] would be required in FY 1971; the amount would gradually increase to [] in FY 1975, then decline until a basic continuing annual appropriation of [] would be required starting about FY 2008. Acceptance by the Bureau of the Budget and the Congress of such a recommendation would result in maximum benefit to the CIA Retirement and Disability System Fund. In fact, based upon the current actuarial study full funding by appropriation would quickly result in a much more favorable fund balance than projected for the

SECRET



SECRET

SUBJECT: CIA Retirement Act Legislation

Civil Service Retirement Fund or the Foreign Service Retirement Fund. You will note in this connection that without such appropriation the Fund balance (Schedule III, Column 14) would peak at [REDACTED] in 2002 and would decline modestly to [REDACTED] in 2033 at which point it would plateau with annual receipts and expenditures of [REDACTED] a relationship of nearly 10 to 1. In this connection, the 1966 report of the Cabinet Committee on Federal Retirement Systems seems to imply that a much smaller relationship (perhaps 2 or 3 to 1) would provide an adequate margin to assure payment of benefits without recourse to emergency appropriation action. Further, the valuation of the Foreign Service Retirement Fund as of December 31, 1962, by the Office of the Government Actuary, Treasury Department, suggested a 1 to 1 ratio as the minimum required relationship between the fund balance and annual benefits payable. We do not agree that such a low ratio would be adequate. On the other hand, the need for a 10 to 1 ratio would appear equally difficult to support. In light of these circumstances, we feel it is unlikely that we could enlist the support of the Bureau of the Budget or approval of Congress for supplemental funding by appropriations at this time. The need for such supplemental funding should, however, be reviewed when the next actuarial study is completed.

5. We shall be glad to discuss the foregoing with you in greater detail should you so desire.

[REDACTED]

Director of Finance

Attachments:

1. Draft letter to Mr. W. H. Rommel
2. Summary schedules I, II and III

SECRET

25X1

Approved For Release 2005/06/06 : CIA-RDP72-00337R000400010025-7

Next 4 Page(s) In Document Exempt

Approved For Release 2005/06/06 : CIA-RDP72-00337R000400010025-7



UNCLASSIFIED

INTERNAL
USE ONLY

CONFIDENTIAL



SECRET

Approved For Release 2005/06/06 : CIA-RDP72-00337R000400010025-7

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Director of Finance
1212 Key Bldg.

EXTENSION

NO.

OLC 70-0201

25X1

DATE

16 March 1970

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Office of Legislative
Counsel
7-D-43 Headquarters

2.

3.

4.

5.

6.

7.

8.

9.

10.

11.

12.

13.

14.

15.

1. You will note that the draft response to the Bureau of the Budget refers to attachments which are not provided at this time. As indicated in our memorandum, the actuarial study is not yet in a formal report format. We assume additionally that you will assume responsibility for the draft bill. You will note in this connection that we are assuming that it is feasible to seek retroactive provision for transfer of employer contributions.



SECRET



CONFIDENTIAL

INTERNAL
USE ONLY

UNCLASSIFIED